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November 13, 2001

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VIA CERTIFIED MAIL

Ms. Gloria Blue  
Executive Secretary, Trade Policy Staff Committee  
Office of the U.S. Trade Representative  
Winder Building  
600 17 Street, N.W.  
Washington, DC 20508

RE: Certain Steel Products (TA-201-73): Comments on Potential Action under Section 203 of the Trade Act of 1974--Requests for Exclusion

Dear Ms. Blue:

On behalf of CONFAB, S.A. ("CONFAB"), a Brazilian producer of welded large diameter line pipe ("LDLP"),<sup>1</sup> this letter responds to the notice of request for comments related to the recommendation that the interagency group established under section 242(a) of the Trade Expansion Act of 1962 (19 U.S.C. 1872(a)) makes as to what action the President should take under section 203(a) of the Trade Act of 1974, as amended, (19 U.S.C. 2253(a)) ("the Act") to facilitate efforts by the domestic industries producing certain steel products to make a positive adjustment to import competition and provide greater economic and social benefits than costs.

<sup>1</sup> Welded LDLP is a subset of product category 20, "welded tubular products other than OCTG," as defined by the International Trade Commission ("ITC").

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CONFAB respectfully requests that the range of products described below be excluded from any increased duty, tariff-rate quota, or quantitative restriction that the President may impose under section 203(a) of the Trade Act of 1974, as amended.<sup>2</sup>

**Description of Products**

High-specification large diameter welded line pipe, API grades X65 and X70, with outside diameter 18 inches and greater, and with wall thickness 0.562 inches and greater. This product is classified under HTS statistical reporting number 7305.11.10.30.

**Basis for Requesting Exclusion**

This range of products should be excluded from the President's remedy determination primarily because the vast majority of products contained therein were, at the request of the U.S. welded LDLP industry, specifically excluded from the scope of the current Title VII (antidumping) investigations on Certain Welded Large Diameter Line Pipe from Japan and Mexico.<sup>3</sup> CONFAB believes that the intentional exclusion by the U.S. industry of these products from their request for relief under the antidumping statute creates an unmistakable inference that the industry is likewise not interested in similar relief under the safeguards statute. In that regard, it is particularly significant that not one U.S. producer of welded LDLP appeared before the ITC in its November 8 remedy hearing to dispel that inference by testifying that import restrictions should be placed on these products. Consequently, the U.S. industry's exclusion

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<sup>2</sup> 19 U.S.C. §2253.

<sup>3</sup> See, e.g., Certain Welded Large Diameter Line Pipe from Japan: Final Determination of Sales at Less Than Fair Value, 66 Fed. Reg. 47172, (Sept. 11, 2001).

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request to the U.S. Department of Commerce in the antidumping investigations, coupled with its silence in the context of the ITC's current section 201 investigation, should be interpreted as an implicit admission that the industry does not produce these products. Clearly, the President should not place restrictions on imports of a product that U.S. firms do not produce and are not interested in producing in the future.

**Names and Locations of U.S. and Foreign Producers**

As noted above, CONFAB believes that, with the exception of one narrow size range, there are no U.S. producers of the products for which CONFAB is requesting exclusion (the "subject products").<sup>4</sup> Foreign producers of these products include Japanese producers such as Kawasaki Steel, NKK, Nippon Steel, and Sumitomo Metal Industries, and European producers such as Ilva (Italy), Corus Tubes (U.K.), and Europipe (Germany and France).

**Total U.S. Consumption**

Other than its own exports to the United States, CONFAB does not have a precise impression of the total size of the U.S. market for the products for which it is requesting exclusion. For the size range of outside diameters over 16 inches and wall thicknesses over 0.562 inches (a slightly larger size range than that for which CONFAB is requesting exclusion), CONFAB estimates that U.S. consumption was 1,200,000 metric tons in 1999, 900,000 metric

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<sup>4</sup> That specific size is large diameter welded line pipe, API grade X-65, with outside diameter of 18 inches and wall thickness of 0.562 inches. Even with respect to this particular size, however, CONFAB believes the U.S. industry does not and cannot produce enough of this product to meet the demands of U.S. customers. U.S. producers of this specific size are: (1) Berg Steel Pipe Corp, Panama City, FL; (2) Napa Pipe Corp., Napa, CA; (3) SAW Pipes U.S.A., Inc., Baytown, TX; and; (4) Pennsylvania Steel Technologies, Inc., Steelton, PA.

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tons in 2000, and 1,400,000 metric tons in 2001. Consumption of this size range is expected to be 1,600,000 metric tons in 2002 and expected to remain constant in calendar years 2003 through 2005.

**Total U.S. Production**

As stated above, CONFAB does not believe that there is any significant U.S. production of the subject products. Indeed, the U.S. industry's request for exclusion of the vast majority of these products in the current Title VII investigations concerning Japan and Mexico is consistent with this belief. With regard to production of the narrow subset of the subject products that the U.S. industry did not include in its exclusion request, CONFAB believes such production to be insignificant. In any event, CONFAB does not have specific information concerning such production.

**U.S. Substitutes for the Subject Products**

CONFAB does not believe that there are any viable substitutes for the subject products. This is because these products, and welded LDLP in general, tend to be custom-made for particular offshore oil and gas pipeline projects. Customers require particular combinations of steel grade, outside diameter, and wall thickness for these projects, and cannot accept substitute product once a project is under way. In theory, seamless LDLP of the same physical characteristics and dimensions could substitute for welded LDLP in most offshore applications. Seamless LDLP, however, is considerably more expensive than welded LDLP, limiting the

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degree of substitutability, even at the design stage of the project. Seamless LDLP is produced in the United States by producers such as United States Steel, LLC, Lorain, OH. CONFAB has no way of estimating, however, the amount of U.S. production of the seamless version of the LDLP subject to this exclusion request.

If you have any questions concerning this request, please do not hesitate to contact the undersigned.

Sincerely,

David P. Houlihan  
Gregory J. Spak  
Lyle B. Vander Schaaf  
Jonathan Seiger  
WHITE & CASE, LLP

Counsel to CONFAB S.A. ("CONFAB")

JS:w